

IDAHO OUTLOOK

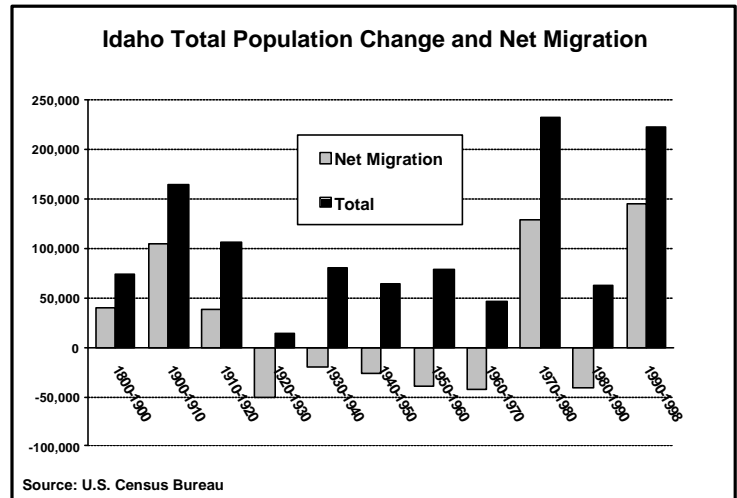
NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

JULY 1999 VOLUME XX NO. 1

Hello, Stranger. Here's something to try the next time you're in a crowd in the Gem State. Look at the person on your right. Then look at the person on your left. The odds are about even that one of them was not born in Idaho. While its citizens rightly take pride in being from Idaho, the fact is only half of the people in this state are native Idahoans. The other half moved here. There is nothing unusual about this. Historical records show that net migration has played an important role in Idaho's history. While natural population growth (births less deaths) has been a steady source of growth, migration has accounted for most of the state's population swings. To get a better perspective on this it helps to go back to the beginning of this century. The chart helps to illustrate this point. It shows how Idaho's population and migration changed from decade to decade since 1900. Two things are evident from

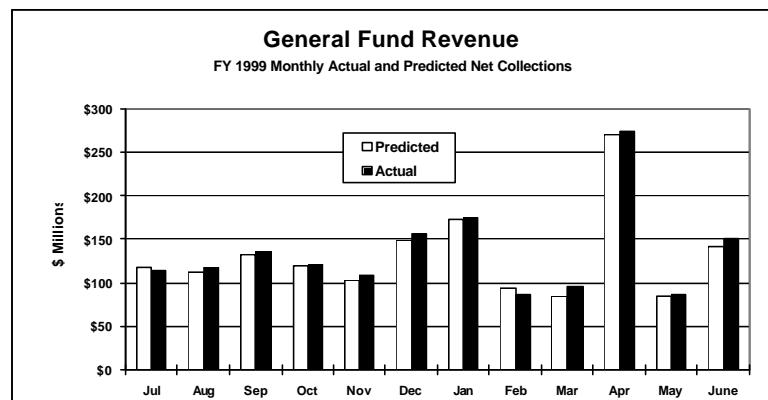


this graph. One, the population has grown in each decade. Two, this growth has been uneven. Notice that population growth was relatively strong through 1930. Then it was relatively weak until 1970. It shot up in the 1970s. It sank again in the 1980s. And it has been on a tear since 1990. The relationship between the population growth migration is obvious. Note that without exception, low population growth is correlated with net out-migration. Conversely, net in-migration clearly coincides with strong population growth. This decade serves as a classic example of this phenomenon. Idaho has been one of the fastest growing states this decade. At its peak, the Gem State's population grew three times faster than the national population. It is no coincidence that net in-migration has been nearly 150,000 so far this decade, or almost two-thirds of the total population change. Most of this influx appears to have come from California. Idaho Department of Transportation records show in this decade 89,768 more out-of-state licenses were surrendered in Idaho than Idaho licenses surrendered in other states. California licenses accounted for 52,522 (or about 60%) of this total. In 1993, the most lopsided year, 11,212 California driver's licenses were surrendered in Idaho, but only six Idaho licenses were surrendered in California.

(Continued from back)

Product Tax collection results were the closest to the forecast for FY 1999 – just \$0.1 million higher than expected. Once again, the wine tax was the source of this revenue strength. It is very likely that the popularity of micro-brew beer, which is taxed as wine if its alcohol content is over 4% by weight, is behind this phenomenon.

Miscellaneous revenue finished FY 1999 \$9.0 million higher than forecasted. This strength was spread over a number of specific items, some of which are either one-time or potentially subject to refund. The largest item was \$3.8 million in excess insurance premium tax payments. Due to a mismatch in the law governing insurance premium tax collections and refunds, it is estimated that as much as a \$6.6 million backlog in refunds currently exists. The mine license tax was \$1.5 million over the FY 1999 forecast due mostly to a \$1.25 million advance payment for a matter that is still being adjudicated. All or part of this amount may be refunded if the taxpayer prevails. Unclaimed property collections were \$1.1 million higher than expected, and Treasurer's interest earnings were \$1.0 million higher. Finally, several fund transfers added up to an extra \$1.8 million in FY 1999 revenue. Most of these transfers were related to closing out a variety of accounts, and are all one-time events.



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General Fund Update

As of June 30, 1999

<u>Revenue Source</u>	\$ Millions			
	FY98 Actual	FY99 Executive Estimates ¹		FY99 Actual
		Dec. 97	Dec. 98	
Individual Income Tax	776.2	795.3	818.6	841.9
Corporate Income Tax	117.3	134.1	110.4	95.4
Sales Tax	496.8	524.6	577.6	588.8
Product Taxes ²	15.8	15.7	15.7	15.8
Miscellaneous	76.0	67.0	73.6	82.6
TOTAL GENERAL FUND³	1,482.1	1,536.7	1,595.9	1,624.5

1 Executive estimate as adjusted for 1999 legislative action
2 Product Taxes include beer, wine, liquor, and cigarette taxes
3 May not total due to rounding

General Fund revenue finished FY 1999 a comfortable \$28.6 million (1.8%) ahead of the latest executive forecast. Almost one-third of this surplus arrived in the last month of the fiscal year. While this revenue cushion is reassuring, it must be noted that a significant share is due to a combination of one-time and advance payments. Furthermore, a portion of FY 1999 revenue collections are subject to the possibility of being refunded in FY 2000 or beyond.

Individual Income Tax collections were the largest source of surplus in FY 1999, coming in \$23.3 million ahead of the forecast. Withholding collections accounted for about half of the excess, at \$11.4 million over the projected amount. Filing collections were \$5.6 million higher than expected, and refunds were \$5.0 million lower than expected. The remainder of the surplus was due to lower-than-expected miscellaneous diversions. This revenue category's strength is due to a combination of stronger-than-expected economic performance in Idaho over the past year and a half, and the favorable investment climate in the U.S. economy.

Corporate Income Tax collections were the only revenue category that fell short of expectations for FY 1999. Overall, the Corporate Income Tax was \$15 million below the level predicted. The largest shortage occurred in quarterly estimated payments, which were \$17.7 million below the forecast amount. In fact, FY 1999 quarterly estimated payments were the lowest since FY 1994. Filing collections (including Multistate Tax Compact collections) actually exceeded the estimate for FY 1999 by \$4.4 million. Refunds were \$1.3 million higher than expected, while miscellaneous diversions were \$0.4 million higher than expected. FY 1999 corporate income tax revenues were 19% lower than the previous fiscal year and are the lowest amount collected since FY 1994. This is the third straight year of decline.

Sales Tax collections were \$11.2 million higher than expected in FY 1999. However, fully \$6.5 million of this was from a single large audit recovery for a multi-year period. This implies a substantial one-time element to the strength in this year's Sales Tax collections.

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